

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BAINBRIDGE TOWNSHIP	County BERRIEN
Fiscal Year End MARCH 31, 2007	Opinion Date AUGUST 6, 2007	Date Audit Report Submitted to State SEPTEMBER 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SE
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	No other reports required.		
Certified Public Accountant (Firm Name) Schaffer & Layher, PLLC		Telephone Number 269-983-0131		
Street Address 805 Van Brunt Ave.		City St. Joseph	State MI	Zip 49085
Authorizing CPA Signature 		Printed Name David Schaffer		License Number 1101019753

BAINBRIDGE TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL STATEMENT

March 31, 2007

BAINBRIDGE TOWNSHIP
BERRIEN COUNTY, MICHIGAN
FINANCIAL STATEMENT
March 31, 2007

**BAINBRIDGE TOWNSHIP
TOWNSHIP BOARD MEMBERS
MARCH 31, 2007**

TOWNSHIP BOARD

Jerry Jollay	Supervisor
Debra Grieser	Clerk
Mark Epple	Treasurer
John Yetzke	Trustee
Don Baiers	Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Board of
Bainbridge Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bainbridge Township (the "Township"), as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bainbridge Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bainbridge Township as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 23 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
August 6, 2007

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net assets increased \$87,730 or 4.87% from a year ago—increasing from \$1,795,257 to \$1,882,987.

Overview of the Financial Statements

This report consists of three parts---*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Bainbridge Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board can establish other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants.

The Township has the following two kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's governments-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$1,882,987. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	
	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Current Assets	\$ 1,750,687	\$ 1,664,225
Other Assets	9,223	17,810
Capital Assets	137,070	133,886
Total Assets	<u>\$ 1,896,980</u>	<u>\$ 1,815,921</u>
Other Liabilities	\$ 5,088	\$ 2,854
Deferred Revenue	8,905	17,810
Total Liabilities	<u>\$ 13,993</u>	<u>\$ 20,664</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 137,070	\$ 133,886
Unrestricted	1,745,917	1,661,371
Total Net Assets	<u>\$ 1,882,987</u>	<u>\$ 1,795,257</u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$84,546 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$1,745,917, or about 537% of current year expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations.

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>	
	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Program Revenues		
Charges for services	\$ 39,301	\$ 58,955
Operating Grants and Contributions	8,905	8,905
General Revenues		
Property Taxes	60,765	56,523
State Shared Revenues	226,202	217,028
Fines and Forfeits	10	544
Interest	72,189	52,055
Other Revenues	5,264	3,632
Total Revenues	<u>\$ 412,636</u>	<u>\$ 397,642</u>
Program Expenses		
General Government	\$ 159,465	\$ 132,198
Public Safety	133,045	127,742
Public Works	16,457	23,643
Recreation and Culture	4,000	4,000
Community & Economic Development	5,586	5,458
Depreciation	6,353	5,236
Total Expenses	<u>\$ 324,906</u>	<u>\$ 298,277</u>
Change in Net Assets	<u>\$ 87,730</u>	<u>\$ 99,365</u>

The Township's net assets increased slightly from last year. Net assets rose to \$1,882,987.

Governmental Activities

The Township's total governmental revenues increased by \$14,994 and expenses increased by \$26,629 during the year. The revenue increase was largely attributable to an increase in interest income as a result of larger balances invested in certificates of deposits at higher interest rates, compared to last year. The expense increase was primarily the result of an increase in general government expenditures, specifically with regard to legislative and cemetery expenses.

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2007 included the General Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, and other. The most significant is fire, which incurred expenses of \$76,620 in 2007. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

The Township Board amended the budget once throughout the course of the year.

Capital Asset and Debt Administration

At the end of March 31, 2007, the Township had investment in capital assets for its governmental activities of \$137,070 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Economic Factors and Next Year's Budgets and Rates

The Township's anticipates revenue over expenditures in the governmental activities next year.

Additionally, the Township has contracted with Pearson Construction to add on new administrative offices and storage space to the east of the existing Township Hall. The contract price is approximately \$247,000 and the expected completion is October of 2007.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 591,004
Investments	1,090,437
Taxes Receivable	6,462
Receivables, Net	12,617
Due from Other Governmental Units	34,981
Due From Fiduciary Funds	186
Prepaid Expenses	15,000
Receivables - Special Assessment	9,223
Capital Assets, Net	137,070
Total Assets	<u>\$ 1,896,980</u>
Liabilities	
Accounts Payable	\$ 4,550
Accrued and Other Liabilities	538
Deferred Revenue	8,905
Total Liabilities	<u>\$ 13,993</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 137,070
Unrestricted	1,745,917
Total Net Assets	<u><u>\$ 1,882,987</u></u>

**The notes to the financial statements are an integral part of these statements.*

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary Government				
<i>Governmental Activities</i>				
General Government	\$ 159,465	-	\$ 9,600	\$ (149,865)
Public Safety	133,045	39,301	-	(93,744)
Public Works	16,457	-	8,905	(7,552)
Recreation and Culture	4,000	-	-	(4,000)
Community & Economic Development	5,586	-	-	(5,586)
Depreciation	6,353	-	-	(6,353)
Total Governmental Activities	<u>\$ 324,906</u>	<u>\$ 39,301</u>	<u>\$ 18,505</u>	<u>\$ (267,100)</u>
General Revenues				
Property Taxes				\$ 60,765
State Grants				216,602
Fines and Forfeits				10
Interest				72,189
Other Revenues				5,264
Total General Revenues				<u>\$ 354,830</u>
Change in Net Assets				<u>\$ 87,730</u>
Net Assets-Beginning				<u>1,795,257</u>
Net Assets-Ending				<u><u>\$ 1,882,987</u></u>

**The notes to the financial statements are an integral part of these statements.*

**GOVERNMENTAL FUND BALANCE SHEET
March 31, 2007**

	General <u>Fund</u>
Assets	
Cash and cash equivalents	\$ 591,004
Investments	1,090,437
Taxes receivable	6,462
Receivables, net	12,617
Due from other governmental units	34,981
Due from fiduciary funds	186
Other receivable -special assessment	9,223
Prepaid expenses	15,000
Total Assets	<u>\$ 1,759,910</u>

Liabilities and Fund Balance

Liabilities	
Accounts payable	\$ 4,550
Other current liabilities	538
Deferred revenue	8,905
Total Liabilities	<u>\$ 13,993</u>

Fund Balance

Unreserved:	
Undesignated	\$ 1,745,917

Amounts reported for governmental activities in the statement of net assets are different because:

- * Capital assets used in governmental activities are not financial resources and are not reported in the funds

137,070

Net Assets of Governmental Activities	<u>\$ 1,882,987</u>
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**The notes to the financial statements are an integral part of these statements.*

BAINBRIDGE TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
March 31, 2007**

	General Fund	Total Governmental Funds
Revenues		
Taxes	\$ 60,765	
Licenses and Permits	30,138	
State Grants	226,202	
Charges for Services	9,163	
Fines and Forfeits	10	
Interest	72,189	
Other Revenues	5,264	
Special Assessment Revenue - Bass Island	8,905	
Total Revenues	<u>\$ 412,636</u>	
Expenditures		
Current		
General Government	\$ 169,002	
Public Safety	133,045	
Public Works	16,457	
Recreation and Culture	4,000	
Community & Economic Development	5,586	
Capital Outlay	-	
Total Expenditures	<u>\$ 328,090</u>	
Excess of Revenues Over Expenditures	\$ 84,546	\$ 84,546
Fund Balance-April 1, 2006	1,661,371	
Fund Balance-March 31, 2007	<u>\$ 1,745,917</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.
- * Assets with a net book value remaining were disposed of during the current year with no proceeds being received resulting in a loss in statement of activities.

Change in Net Assets of Governmental Activities

3,247

(63)

\$ 87,730

**The notes to the financial statements are an integral part of these statements.*

**FIDUCIARY FUNDS – STATEMENT OF NET ASSETS
March 31, 2007**

	Trust & Agency <u>Fund</u>
Assets	
Cash and cash equivalents	\$ 186
Due from other governmental funds	-
Total Assets	<u>\$ 186</u>
Liabilities	
Due to other governmental funds:	
General Fund	\$ 186
Due to other governmental units	-
Total Liabilities	<u>\$ 186</u>

**The notes to the financial statements are an integral part of these statements.*

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bainbridge Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2007.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at March 31, 2007.

Jointly Governed Organization—The Township has no jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Concluded**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2006 ad valorem tax is levied and collectible on December 1, 2006 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Township totaled \$78.0 million, on which ad valorem taxes levied which consisted of .7542 mills for the Township's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable—current or as tax revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Assets or Equity, Concluded**

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regard to vacation or sick days.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government - Cemetery	11,700	12,566	(866)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

	Governmental Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 591,004	\$ 591,004	\$ 186
Certificates of deposit	1,090,437	1,090,437	-
Total	<u>\$ 1,681,441</u>	<u>\$ 1,681,441</u>	<u>\$ 186</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts, C/D's)	\$ 590,904	\$ 186
Certificates of Deposit > 90 days	1,090,437	-
Petty Cash and Cash on Hand	100	-
	<u>\$ 1,681,441</u>	<u>\$ 186</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007 \$1,325,889 of the Township's bank balance, including certificates of deposit, of \$1,725,889 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
			1-5 years	6-10 years	More than 10
Certificates of Deposits	<u>\$ 1,090,437</u>	<u>\$ 1,090,437</u>	<u>\$ 1,090,437</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk:

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Credit Risk:**

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2007, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2007, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	<u>Total</u>
Taxes Receivable	\$ 6,462	\$ 6,462
Accounts	19,617	19,617
Less: Allowance for Uncollectible	(7,000)	(7,000)
Net Receivables	<u>\$ 19,079</u>	<u>\$ 19,079</u>

NOTE 4. RECEIVABLES AND PAYABLES, CONCLUDED

Payables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Total</u>
Payables:		
Trade	\$ 4,550	\$ 4,550

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 1,300	\$ -	\$ -	\$ 1,300
Capital assets being depreciated				
Land improvements	\$ 35,350	\$ -	\$ -	\$ 35,350
Building and building improvements	106,453	-	-	106,453
Equipment	16,660	9,600	(2,054)	24,206
Subtotal	\$ 158,463	\$ 9,600	\$ (2,054)	\$ 166,009
Less: Accumulated Depreciation	(25,877)	(6,353)	1,991	(30,239)
Net Capital Assets Being Depreciated	\$ 132,586	\$ 3,247	\$ (63)	\$ 135,770
Governmental activities total				
capital assets-net of depreciation	<u>\$ 133,886</u>	<u>\$ 3,247</u>	<u>\$ (63)</u>	<u>\$ 137,070</u>

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no current year transfers.

NOTE 7. DESIGNATED NET ASSETS

The Township had no designated net assets.

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9. LEASES

The Township did not have any operating or capital leases during the year.

NOTE 10. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of building electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period
	4/1/2006
	3/31/2007
Revenues	\$ 30,138
Expenditures	<u>29,245</u>
Excess of Revenues over Expenditures	<u><u>\$ 893</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

BAINBRIDGE TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 1,661,371	\$ 1,661,371	\$ 1,661,371	
Available for Appropriation (Inflows)				
Taxes	\$ 60,475	\$ 60,475	\$ 60,765	\$ 290
Licenses and Permits	33,200	33,200	30,138	(3,062)
State Grants	211,531	211,531	226,202	14,671
Charges for Services	18,500	18,500	9,163	(9,337)
Fines and Forfeits	300	300	10	(290)
Interest	37,000	37,000	72,189	35,189
Other Revenues	4,950	4,950	5,264	314
Transfer In	30,000	30,000	-	(30,000)
Special Assessment Revenue - Bass Island	5,937	8,905	8,905	-
Amounts Available for Appropriation	<u>\$ 401,893</u>	<u>\$ 404,861</u>	<u>\$ 412,636</u>	
Charges to Appropriations(Outflows)				
General Government				
Legislative	\$ 44,870	\$ 43,670	\$ 40,604	3,066
Supervisor	14,683	14,683	14,000	683
Elections	8,000	19,250	19,200	50
Assessor	23,090	23,090	21,183	1,907
Clerk	16,210	16,710	16,401	309
Board of Review	1,685	1,685	1,131	554
Treasurer	20,179	20,179	16,505	3,674
Hall and Grounds	37,090	35,440	27,412	8,028
Cemetery	10,200	11,700	12,566	(866)
Public Safety				
Fire Protection	79,950	81,450	76,620	4,830
Building Inspection	30,775	32,425	29,245	3,180
Ordinance Enforcement	7,075	8,775	6,780	1,995
Ambulance	20,400	20,400	20,400	-
Public Works				
Roads	38,000	38,050	12,878	25,172
Drains	2,200	3,700	3,579	121
Recreation & Cultural				
Library	4,000	4,000	4,000	-
Community & Economic Development				
Planning Commission	5,910	5,910	5,192	718
Zoning	810	810	-	810
Board of Appeals	2,926	2,926	394	2,532
Capital Outlay	<u>30,000</u>	<u>22,800</u>	<u>-</u>	<u>22,800</u>
Total Charges to Appropriations	<u>\$ 398,053</u>	<u>\$ 407,653</u>	<u>\$ 328,090</u>	
End of Year Fund Balance-March 31, 2007	<u>\$ 1,665,211</u>	<u>\$ 1,658,579</u>	<u>\$ 1,745,917</u>	



To the Board of Trustees
Bainbridge Township

In planning and performing our audit of the financial statements of Bainbridge Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Bainbridge Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be a significant deficiency and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency, is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency.

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be material weaknesses in internal control:

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

During the course of our engagement, we have been asked to prepare drafts of the Company's financial statements in accordance with generally accepted accounting principles. The employees and management responsible for reviewing those financial statements lack the skill and knowledge to properly apply generally accepted accounting principles.

In addition, we have been asked to make material adjusting entries affecting Bainbridge Township's financial statements.

This communication is intended solely for the information and use of management, Bainbridge Township's Board and others within the organization and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
August 6, 2007